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**Gary L. Phillips**  
Director of Legal Affairs  
Washington Office

May 19, 1997

EX PARTE OR LATE FILED

RECEIVED

MAY 19 1997

Federal Communications Commission  
Office of Secretary

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

Re: **Ex Parte Statement**  
CC Docket No. 93-129

Dear Mr. Caton:

The attached letter was sent to Ms. Regina Keeney, Chief, Common Carrier Bureau, on May 14, 1997. Please ensure that it is included in the record of the above referenced docket.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary L. Phillips".

Attachment

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May 14, 1997

**RECEIVED MAY 14 1997**

Ms. Regina Keeney  
Chief, Common Carrier Bureau  
Federal Communications Commission  
1919 M Street, NW  
Room 500  
Washington, DC 20554

Re: Order on Reconsideration  
CC Docket 93-129

Dear Ms. Keeney:

The Order on Reconsideration in CC Docket 93-129 ordered Ameritech to file a schedule of proposed refunds and a refund plan. Attached hereto is Ameritech's submission.

Sincerely,

A handwritten signature in cursive script that reads "Gary L. Phillips". Below the signature, the initials "tra" are written.

Attachment  
cc: Jim Schlichting

## **AMERITECH**

### **Refund Schedule and Refund Plan**

#### **BACKGROUND**

The Report and Order<sup>1</sup> in this proceeding terminated an investigation into tariffs filed in March 1993 by incumbent local exchange carriers (LECs) for 800 data base services. The Report and Order required incumbent LECs that filed tariffs for 800 data base services to recalculate their price cap indices (PCIs) in accordance with the Commission's findings and to resubmit their tariffs. The Report and Order also contained the Commission's determinations regarding the reasonableness of the price cap incumbent LECs' restructuring of their 800 data base service rates, the reasonableness of certain exogenous costs claimed by those incumbent LECs, and of the allocation of those exogenous costs between interstate and intrastate jurisdictions.

On reconsideration<sup>2</sup>, the Commission required LECs to file a schedule of proposed refunds and refund plan. Set forth below is an explanation of how Ameritech calculated the refund schedule and the plan for issuing the refund to customers.

#### **REFUND LIABILITY**

Ameritech determined its refund liability consistent with the rules established in the Commission's Memorandum Opinion and Order in CC Docket 93-193<sup>3</sup>. Ameritech feels that this docket establishes the governing rules for correcting PCIs and sets the relevant precedent for establishing a refund liability for LECs subject to price cap regulation.

Ameritech took the following steps in calculating its refund liability: 1) Ameritech recalculated its PCI affecting filings for the refund liability period (May 1, 1993 through January 15, 1997) based on the \$1.3 million exogenous cost prescribed by the Commission; 2) Ameritech compared its APIs with its recalculated PCIs during the refund liability period 3) for any period in which the Actual Price Index (API) exceeded the recalculated PCI, a refund liability was calculated based

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<sup>1</sup> *800 Data Base Access Tariffs and the 800 Service Management System Tariff and Provision of 800 Services*, Report and Order 11 FCC Rcd 15227 (1996)(Report and Order).

<sup>2</sup> *800 Data Base Access Tariffs and the 800 Service Management System Tariff and Provision of 800 Services*, Order on Reconsideration, CC Docket Nos. 93-129, 86-10, FCC 97-135, released April 14, 1997.

<sup>3</sup> *1993-1996 Annual Access Tariff Filings and GSF Order Compliance Filings*. Memorandum Opinion and Order, FCC 97-139, released April 17, 1997 (Memorandum Opinion and Order).

on the extent to which the revenue in the basket exceeded the PCI, and 4) the total refund liability was calculated by applying interest rates<sup>4</sup> prescribed in the Memorandum Opinion and Order on Reconsideration, compounded daily for the appropriate period of time. Exhibit 1 shows the indices as originally filed and as they would have been calculated using only the \$1.3 million adjustment. The proposed PCIs from one filing are brought forward as the existing PCIs in the next filing. The proposed APIs, however, are not necessarily the existing APIs in the next transmittal shown because intermediate API affecting filings have not been included. As is shown, Ameritech's recalculated PCIs exceeded the APIs until August 1, 1995. At that time, Ameritech's Traffic Sensitive Basket's API would have been above the PCI resulting in a refund liability of \$1.9 million. There were no other times when the API exceeded the proposed PCI. The calculation of the total refund liability of \$2.2 million with interest compounded daily is shown in Exhibit 2.

## **REFUND PLAN**

Ameritech will refund the \$2.2 million liability to IXC's of record with originating 800 minutes of use (MOUs) billed from August 1, 1995 through June 30, 1996. To determine specific refund amounts Ameritech will 1) determine the total 800 originating MOUs for the period of August 1, 1995 through June 30, 1996, 2) determine total 800 originating MOUs for the period of August 1, 1995 through June 30, 1996 by IXC, 3) determine each IXC's percentage of total 800 originating MOUs for the period of August 1, 1995 through June 30, 1996, 4) determine each ICX's refund by multiplying the IXC percentage of 800 originating MOUs by the total 800 data base refund, and 5) process and mail refund checks along with a letter outlining the refund process.

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<sup>4</sup> *Section 208 Complaints Alleging Violations of the Commission's Rate of Return Prescriptions*, Memorandum Opinion and Order on Reconsideration, FCC 97-118, released April 4, 1997 (Memorandum Opinion and Order on Reconsideration).

**Ameritech**  
**800 Database Refund**

**Transmittal 705**  
**800 DB Modification**

		Basket	
		Switched As Filed	Switched Revised
1	GDP-PI	N/A	N/A
2	Productivity Factor (X)	N/A	N/A
3	GDP-PI - X	0.0000	0.0000
4	Delta Z	6,261,867	1,301,346
5	R(t-1)	843,206,939	843,206,939
6	Delta Z/R	0.7426	0.1543
7	W	0.0000	0.0000
8	W*(GDP-PI - X)	0.0000	0.0000
9	Growth in Min./Line (g)	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	0.0000	0.0000
11	Existing PCI	94.4061	94.4061
12	Proposed PCI	95.1072	94.5518
13	Existing API	93.3700	93.3700
14	Proposed API	93.8300	93.8300
15	Headroom Ln5*(Ln12/Ln14)-Ln5	11,477,459	6,486,481

**Transmittal 735  
1993 Annual Filing Amended**

	<u>Switched As Filed</u>	<u>Basket Switched Revised</u>	<u>Special As Filed</u>
1 GDP-PI	3.0176	3.0176	3.0176
2 Productivity Factor (X)	3.3	3.3	3.3
3 GDP-PI - X	-0.2824	-0.2824	-0.2824
4 Delta Z	(94,199,716)	(94,199,716)	(32,358,435)
5 R(t-1)	914,625,895	914,625,895	333,164,219
6 Delta Z/R	-10.2993	-10.2993	-9.7125
7 W	89.7007	89.7007	90.2875
8 W*(GDP-PI - X)	-0.2533	-0.2533	-0.2550
9 Growth in Min./Line (g)	N/A	N/A	N/A
10 $W*[GDP-PI - X - (g/2)]$ / $[1 + (g/2)]$	-0.2533	-0.2533	-0.2550
11 Existing PCI	95.1072	94.5518	98.7430
12 Proposed PCI	85.0709	84.5741	88.9009
13 Existing API	93.8457	93.8457	93.5846
14 Proposed API	83.9682	83.9682	88.4369
15 Headroom Ln5*(Ln12/Ln14)-Ln5	12,011,461	6,600,310	1,747,857

**Letter 3/11/94  
LTR Supplemental TRP**

			Basket		
		Switched As Filed	Switched Revised	Special As Filed	Special Revised
1	GDP-PI	N/A	N/A	N/A	N/A
2	Productivity Factor (X)	N/A	N/A	N/A	N/A
3	GDP-PI - X	N/A	N/A	N/A	N/A
4	Delta Z	N/A	N/A	N/A	N/A
5	R(t-1)	N/A	N/A	N/A	N/A
6	Delta Z/R	N/A	N/A	N/A	N/A
7	W	N/A	N/A	N/A	N/A
8	W*(GDP-PI - X)	N/A	N/A	N/A	N/A
9	Growth in Min./Line (g)	N/A	N/A	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	N/A	N/A	N/A	N/A
11	Existing PCI	85.0709	84.5741	88.9009	88.9009
12	Proposed PCI	85.0709	84.5741	90.9324	90.6239
13	Existing API	80.9808	80.9808	88.0111	88.0111
14	Proposed API	80.9808	80.9808	88.0111	88.0111
15	Headroom Ln5*(Ln12/Ln14)-Ln5	N/A	N/A	N/A	N/A

**LTR Supplemental TRP  
Methodology**

	<b>As Filed</b>	<b>Revised</b>
1	Special Access PCI divided by API	1.0101
2	Special Access portion of trunking revenue	0.4286
3	Line 1 multiplied by Line 2	0.4329
4	Traffic Sensitive PCI divided by API	1.0505
5	Traffic Sensitive portion of Trunking Revenue	0.5714
6	Line 4 multiplied by Line 5	0.6002
7	Special Access API prior to restructure	88.0111
8	Line 3 multiplied by Line 7	38.1040
9	Line 6 multiplied by Line 7	52.8284
10	Trunking Basket PCI equals Line 8 + Line 9	90.9324

**Transmittal 791 Amended  
1994 Annual Filing**

		Basket			
		Traffic Sensitive	Traffic Sensitive	Trunking	Trunking
		<u>As Filed</u>	<u>Revised</u>	<u>As Filed</u>	<u>Revised</u>
1	GDP-PI	2.8363	2.8363	2.8363	2.8363
2	Productivity Factor (X)	3.3	3.3	3.3	3.3
3	GDP-PI - X	-0.4637	-0.4637	-0.4637	-0.4637
4	Delta Z	(7,734,759)	(7,734,759)	(14,953,407)	(14,953,407)
5	R(t-1)	383,851,924	383,851,924	754,771,333	754,771,333
6	Delta Z/R	-2.0150	-2.0150	-1.9812	-1.9812
7	W	97.9850	97.9850	98.0188	98.0188
8	W*(GDP-PI - X)	-0.4544	-0.4544	-0.4545	-0.4545
9	Growth in Min./Line (g)	N/A	N/A	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	-0.4544	-0.4544	-0.4545	-0.4545
11	Existing PCI	85.0709	84.5741	90.9324	90.6239
12	Proposed PCI	82.9702	82.4857	88.7176	88.4166
13	Existing API	80.2725	80.2725	87.6019	87.6019
14	Proposed API	80.2725	80.2725	84.8596	84.8596
15	Headroom Ln5*(Ln12/Ln14)-Ln5	12,899,857	10,583,119	34,314,083	31,637,185



**Transmittal 905  
1995 Annual Filing**

		Basket			
		Traffic Sensitive	Traffic Sensitive	Trunking	Trunking
		<u>As Filed</u>	<u>Revised</u>	<u>As Filed</u>	<u>Revised</u>
1	GDP-PI	2.9226	2.9226	2.9226	2.9226
2	Productivity Factor (X)	5.3	5.3	5.3	5.3
3	GDP-PI - X	-2.3774	-2.3774	-2.3774	-2.3774
4	Delta Z	(625,941)	(625,941)	(76,666)	(76,666)
5	R(t-1)	410,799,245	410,799,245	772,624,389	772,624,389
6	Delta Z/R	-0.1524	-0.1524	-0.0099	-0.0099
7	W	99.8476	99.8476	99.9901	99.9901
8	W*(GDP-PI - X)	-2.3738	-2.3738	-2.3772	-2.3772
9	Growth in Min./Line (g)	N/A	N/A	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	-2.3738	-2.3738	-2.3772	-2.3772
11	Existing PCI prior to Adj	82.9702	82.4857	88.7176	88.4166
12	One time x factor adj	97.2000	97.2000	97.2000	97.2000
	Revised existing PCI	80.6470	80.1761	86.2335	85.9409
13	Proposed PCI prior to gross up	78.6097	78.1507	84.1750	83.8894
14	11 mo Tariff year gross up	-0.3964	-0.3941	-0.4130	-0.4116
15	Revised Proposed PCI	78.2133	77.7566	83.7620	83.4779
16	Existing PCI	80.6470	80.1761	86.2335	85.9409
17	Proposed PCI	78.2133	77.7566	83.7620	83.4779
18	Existing API	80.2724	80.2724	83.0552	83.0552
19	Proposed API	78.1263	78.1263 *	80.6504	80.6504
20	Headroom Ln5*(Ln12/Ln14)-Ln5	457,638	(1,943,800)	29,809,288	27,087,108

\* The Proposed API would have had to have been 77.7566. Therefore 77.7566 is carried forward as the existing API in the next filing.

**Transmittal 961 2nd Amended  
1996 Annual Filing**

		<b>Basket</b>			
		<b>Traffic Sensitive</b>	<b>Traffic Sensitive</b>	<b>Trunking</b>	<b>Trunking</b>
		<b>As Filed</b>	<b>Revised</b>	<b>As Filed</b>	<b>Revised</b>
1	GDP-PI	2.6514	2.6514	2.6514	2.6514
2	Productivity Factor (X)	5.3	5.3	5.3	5.3
3	GDP-PI - X	-2.6486	-2.6486	-2.6486	-2.6486
4	Delta Z	21,269,306	21,269,306	42,460,009	42,460,009
5	R(t-1)	423,385,760	423,385,760	807,864,304	807,864,304
6	Delta Z/R	5.0236	5.0236	5.2558	5.2558
7	W	105.0236	105.0236	105.2558	105.2558
8	W*(GDP-PI - X)	-2.7817	-2.7817	-2.7878	-2.7878
9	Growth in Min./Line (g)	N/A	N/A	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	-2.7817	-2.7817	-2.7878	-2.7878
11	Existing PCI prior to gross up	78.2133	77.7566	83.7620	83.4779
12	11 mo gross up from 8/1/95	-0.3964	-0.3941	-0.4130	-0.4116
13	Revised Existing PCI	78.6097	78.1507	84.1750	83.8894
14	Existing PCI	78.6097	78.1507	84.1750	83.8894
15	Proposed PCI	80.3721	79.9028	86.2525	85.9599
16	Existing API	78.1263	77.7566	80.6152	80.6152
17	Proposed API	79.2851	78.9099	81.3350	81.3350
18	Headroom Ln5*(Ln12/Ln14)-Ln5	5,804,848	5,327,485	48,842,993	45,936,694

**Transmittal 1028**  
**800 DB Exogenous Disallowance**

		<b>Basket</b>			
		<b>Traffic Sensitive</b>	<b>Traffic Sensitive</b>	<b>Trunking</b>	<b>Trunking</b>
		<b><u>As Filed</u></b>	<b><u>Revised</u></b>	<b><u>As Filed</u></b>	<b><u>Revised</u></b>
1	GDP-PI	0.0000	0.0000	0.0000	0.0000
2	Productivity Factor (X)	0.0	0.0	0.0	0.0
3	GDP-PI - X	0.0000	0.0000	0.0000	0.0000
4	Delta Z	(2,380,095)	0	(2,665,654)	0
5	R(t-1)	430,408,416	430,408,416	813,900,104	813,900,104
6	Delta Z/R	-0.5530	0.0000	-0.3275	0.0000
7	W	99.4470	100.0000	99.6725	100.0000
8	W*(GDP-PI - X)	0.0000	0.0000	0.0000	0.0000
9	Growth in Min./Line (g)	N/A	N/A	N/A	N/A
10	W*[GDP-PI - X - (g/2)] / [1 + (g/2)]	0.0000	0.0000	0.0000	0.0000
11	Existing PCI	80.3721	79.9028	86.2525	85.9599
12	Proposed PCI	79.9277	79.9028	85.9700	85.9599
13	Existing API	80.3432	79.9630	79.4095	79.4095
14	Proposed API	79.8803	79.5023	79.4052	79.4052
15	Headroom Ln5*(Ln12/Ln14)-Ln5	255,375	2,168,370	67,288,677	67,185,023

**Ameritech**  
**800 Database Refund**  
**Interest Calculation**

Ameritech incurred the liability over an 11month period (August 1, 1995 through June 30, 1996) so an the future value of annuity formula was used for that time period (see Lines 2 and 4). Additional interest compounded on a daily basis continues to accrue from July 1, 1996 until the refund is made. The Internal Revenue Service interest rate is revised quarterly. For the time period 4/1/96 to 6/30/96 it was 7% . At the other time periods in this calculation it was 8%.

1	Principal Liability	Exhibit 1, Page 5	\$1,943,800
2	Principal plus 240 days of interest at 8% 8/1/95 to 3/31/96	$(Ln1/329) * (((1 + .08/360)^{240}) - 1) / (.08/360)$	1,456,297
3	Line 2 plus continued interest at 7% 4/1/96 to 6/30/96	$Ln2 * (1.07/360)^{89}$	1,481,716
4	Principal plus 89 days of interest at 7% 4/1/96 to 6/30/96	$(Ln1/329) * (((1 + .07/360)^{89}) - 1) / (.07/360)$	530,355
5	Sum to 6/30/96	$Ln3 + Ln4$	2,012,071
6	Principal plus additional interest at 8% 7/1/96 to 6/30/97	$Ln5 * (1.08/360)^{359}$	2,179,147